

Message Text

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PAGE 01 COLOMB 01210 161532Z
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TAGS: ECON, EAID, IMF, IBRD, CE
SUBJECT: WORLD BANK TEAM COMMENTS ON SRI LANKAN PERFORMANCE

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1. SUMMARY. IN CONVERSATIONS WITH EMBOFFS, WORLD BANK
OFFICIALS HAVE BEEN LESS SANGUINE IN THEIR EVALUATIONS
OF SRI LANKA'S PERFORMANCE THAN THE INTERNATIONAL MONETARY

FUND (IMF) WAS A WEEK AGO. CONTRARY TO THE IMF, WHICH IS
CONCERNED MAINLY WITH MONETARY/FISCAL POLICY, WHERE CON-
SIDERABLE PROGRESS HAS BEEN MADE, THE BANK FOCUSES ON THE
MORE DIFFICULT PROBLEMS OF LONG-RANGE ECONOMIC DEVELOPMENT.
BANK OFFICIALS ARE WORRIED ABOUT THE PACE AND SCOPE OF THE
MAHAWELI PROJECT, THE APPARENT LACK OF ADMINISTRATIVE
CAPACITY TO IMPLEMENT SUCH A MASSIVE PROJECT DESPITE IMPROVED
POLICY DIRECTION AT THE TOP AND THE NEED FOR IMPROVED WATER
MANAGEMENT IN MAHAWELI AS WELL AS OLDER IRRIGATION PROJECTS.
THEY ALSO BELIEVE THERE ARE OTHER AREAS, SUCH AS PLANTATION
REHABILITATION
AND IMPROVED EDUCATION AND HEALTH SYSTEMS,
WHICH OFFER QUICKER AND LARGER RETURNS ON INVESTMENT AND MAY BE
NEGLECTED IF ALL AVAILABLE RESOURCES TO INTO MAHAWELI.

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PAGE 02 COLOMB 01210 161532Z

WHILE COGNIZANT OF THE GOVERNMENT'S DESIRE TO MOVE
QUICKLY ON MAHAWELI, THE BANK FEELS IT IS ACTING AS FAST
AS IS PRUDENT. THE BANK'S CONCERNS ABOUT PRIORITIES
AND IMPLEMENTATION ARE SHARED BY OTHER DONORS AND
SOUSSELVES. END SUMMARY.

2. IT IS CLEAR FROM CONVERSATIONS WITH VARIOUS MEMBERS

OF THE VISITING WORKD BANK TEAM THAT THE BANK IS LESS SANGUINE IN TS VIEW OF THE PERFORMANCE OF THE NEW GOVERNMENT OF SRI LANKA (GSL) THAN WAS THE IFM (REFTEL B). WHILE BANK OFFICIALS AGGREE WITH THE IMF THAT THE

ECONOMIC AND FINANCIAL MEASURES TAKEN BY THE GSL ARE IMPRESSIVE, THE SAME OFFICIALS SEE SERIOUS PROBLEMS IN GSL DEVELOPMENT PROGRAMS TO WHICH THE FUND PAYS RELATIVELY LITTLE ATTENTION.

3. THE BANK ACCEPTS THE MAHAWELI PROGRAM AS FUNDAMENTAL NATIONAL PRIORITY, BUT REMAINS CONCERNED THAT THE PACE AND SCOPE OF MAHAWELI INVESTMENT ARE PROPERLY PLANNED AND THAT THE GSL NOT LOSE SIGHT OF OTHER INVESTMENTS WHICH WILL YIELD NEAR TERM BENEFITS. THEY ARE ALSO CONCERNED THAT GOVERNMENT INVESTMENT IN MAHAWELI BE ACCOMPANIED BY IMPROVEMENT IN WATER MANAGEMENT, GIVEN THE KNOWN DIFFICULTIES IN SIMILAR PROJECTS WUCH AS GAL OYA AND UDA WALAWE.

4. THE BANK ALSO QUESTIONS THE HOLY WRIT ON THE NEED FOR SELF SUFFICIENCY IN RICE. BANK OFFICIALS SUGGEST THAT GREATER AND QUICKER RETURNS ON INVESTMENT COULD BE OBTAINED BY PUTTING MORE MONEY INTO REVIVING THE TEA, RUBBER, AND COCONUT PLANTATIONS. EXPANDED EXPORTS
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PAGE 03 COLOMB 01210 161532Z

OF THESE PRODUCTS COULD PAY FOR RICE IMPORTS. THE BANK, HOWEVER, DOES UNDERSTAND THE PSYCHOLOGICAL AND POLITICAL OBJECTIONS THE GSL WOULD HAVE TO SUCH A POLICY. OTHER AREAS THE BANK SEES AS NEGLECTED ARE THE EDUCATION AND HEALTH SYSTEMS WHICH HAVE DETERIORATED IN RECENT YEARS.

5. BANK OFFICIALS ARE UNDERSTANDING OF THE GSL'S SENSE OF POLITICAL URGENCY TO MOVE FORWARD ON MAHAWELI AS QUICKLY AS POSSIBLE. THEY BELIEVE THAT THE GSL CAN BEGIN USB-PARTS OF THE SYSTEM WHICH ARE RELATIVELY LABOR INTENSIVE SUCH AS MADURA OYA AND THE DEVELOPMENT OF THE MAHAWELI RIGHT BANK CANAL. IN ANSWER TO CRITICISM THAT THEY ARE MOVING TOO SLOWLY, BANK OFFICIALS SAY THEY ARE MOVING AS FAST AS IS PRUDENT. VICTORIA, WHICH LU THE MOST ADVANCED OF THE HIGH PROJECTS, WILL REQUIRE AT LEAST ANOTHER YEAR OF STUDY BEFORE CONSTRUCTION CAN BEGIN.

6. OVER AND OVER BANK OFFICIALS STRESSED THAT THE RATIONAL USE OF WATER IS CRUCIAL TO THE SUCCESS OF THE MAHAWELI AND OTHER BIG IRRIGATION PROJECTS. THEY SEE

A DANGEROUS WEAKNESS IN THIS AREA AND SUPPORT USAID'S PROPOSAL FOR A STUDY OF WAYS AND MEANS TO ENCOURAGE MORE ECONOMICAL USE OF WATER BY FARMERS. THE POOR RECORD OF WATER MANAGEMENT IN EXISTING IRRIGATION PROJECTS HAS LED TO LOW OR EVEN NEGATIVE COST BENEFIT RATIOS. EXCESSIVE USE OF WATER BY FARMERS AT THE HEAD OF THE SYSTEM HAS DEPRIVED OTHERS AT THE TAIL END WHO OFTEN END UP DEPENDING ON ERRATIC RAINS.

7. THE GSL'S TRADITIONAL LACK OF MANAGEMENT CAPACITY IS ALSO APPARENT IN THE EFFORTS TO ACCELERATE MAHAWELI. BANK OFFICIALS FEEL THAT NO ONE IS REALLY IN CHARGE, AND PROSPECTIVE DONORS FIND THE GSL SPEAKS WITH MANY, AND OFTEN CONFUSING, VOICES. THE BANK ITSELF
CONFIDENTIAL

CONFIDENTIAL

PAGE 04 COLOMB 01210 161532Z

IS UNINFORMED ABOUT WHAT THE GSL IS DOING ABOUT MAHAWELI, PARTICULARLY WITH REGARD TO ITS NEGOTIATIONS WITH GOVERNMENT AND PRIVATE SOURCES OF FINANCING, AND IS SENDING ITS CHIEF ENGINEER, K. PRANICH, TO SRI LANKA, TO PREPARE A REPORT ON THE CURRENT STATUS OF MAHAWELI NEGOTIATIONS FOR THE AID CONSORTIUM MEETING IN MAY.

8. WHILE A NUMBER OF MINISTERS AND SENIOR GSL OFFICIALS ARE VERY CAPABLE, BANK OFFICIALS FIND LITTLE OR NO EFFECTIVE ORGANIZATION UNDER THEM AND NOT MUCH FIRM DIRECTION FROM ABOVE. THE NEWLY FORMED COMMITTEE OF DEVELOPMENT SECRETARIES IS WORKING WELL, BUT THE REST OF THE BUREAUCRACY IS WEAK ON DEVELOPMENT EFFORTS. IN GENERAL, POLICY ORGANIZATION AND DIRECTION AT THE TOP ARE MUCH BETTER THAN UNDER THE PREVIOUS GSL, BUT THE ABILITY TO DEVELOP AND IMPLEMENT A NEW PROGRAM STILL SEEMS TO BE LACKING, IN THE BANK'S VIEW. PROGRESS ON PREPARING A MEDIUM TERM DEVELOPMENT PLAN IS SLOW AND A PLAN WILL NOT BE READY FOR THE CONSORTIUM MEETING.

9. EMBASSY COMMSLT. THE DIVERGENCY OF THE IMF AND WORLD BANK VIEWS OF THE GSL'S PERFORMANCE IS EXPLAINED BY THEIR DIFFERENT INTERESTS. THE FUND CONCENTRATES ON MONETARY AND FISCAL POLICIES WHICH, IN AN ORGANIZATIONAL SENSE, ARE RELATIVELY EASY TO IMPLEMENT GIVEN SUFFICIENT POLITICAL WILL. IT TAKES ONLY A FEW PEOPLE TO MAKE THE BASIC POLICY DECISIONS AND NOT MANY MORE TO IMPLEMENT THEM. WHILE ACKNOWLEDGING THAT THE FUND'S AREAS OF INTEREST ARE IMPORTANT AND THAT THE GSL HAS MADE SIGNIFICANT PROGRESS IN THESE AREAS, THE BANK IS MORE CONCERNED WITH THE COUNTRY'S LONG-RANGE ECONOMIC DEVELOPMENT WHICH INVOLVES MORE INTRACTABLE PROBLEMS.
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PAGE 05 COLOMB 01210 161532Z

THE BANK' CONCERNS ABOUT PRIORITIES AND IMPLEMENTATION
ARE SHARED BY OTHER DONORS AND OURSELVES. ALTHOUGH THE
BANK IS FULLY AWARE OF THE TIME PRESSURES ON THE GSLN
IT IS MORE INTERESTED IN FURTHERING THE LONG-TERM
PROSPECTS OF THE COUNTRY THAN IT IS IN THE IMMEDIATE
POLITICAL FORTUNES OF ANY PARTICULAR GOVERNMENT.
WRIGGINS

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